

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 1999-005-G - ORDER NO. 1999-711
OCTOBER 7, 1999

IN RE: Annual Review of Purchased Gas Adjustment) ORDER ✓ *me*
(PGA) and Gas Purchasing Policies of United)
Cities Gas Company.)

INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (“Commission”) on annual review of the Purchased Gas Adjustment (“PGA”) and Gas Purchasing Policies of United Cities Gas Company, a Division of Atmos Energy Corporation (“United Cities” or “Company”).

By letter dated May 18, 1999, the Commission’s Executive Director instructed United Cities to publish one time a prepared Notice of Filing concerning the review scheduled before the Commission. The Notice of Filing indicated the nature of the proceeding and advised all interested parties of the manner and time in which to file appropriate pleadings for participation in the proceedings. United Cities was also instructed to directly notify all of its customers who would be affected by the review proceeding. United Cities submitted documentation indicating that it had complied with the instructions of the Executive Director. A Petition to Intervene was received from the Consumer Advocate for the State of South Carolina (“Consumer Advocate”).

Prior to the hearing, a Stipulation signed by the parties was received, wherein the parties requested that we waive the hearing in this matter and consider this matter in the

context of our regularly scheduled weekly Commission meeting. We note that all testimony filed has been sworn to and verifications filed. Further, all parties have agreed with all adjustments proposed by the Commission Staff, as found in the Staff's testimony and exhibits.

We approve the Stipulation and waive the formal hearing, and hold that the hearing shall be our Commission meeting of October 5, 1999. Further, we hereby make all testimony a part of the record as if given orally from the stand, and admit all exhibits as a part of the evidence of this case. Accordingly, we herein make our rulings.

United Cities presented the testimony and exhibits of Alicia Rye, Senior Analyst of Atmos Energy Corporation, United Cities Gas Company Division. The Consumer Advocate did not present a witness. The Commission Staff presented Norbert M. Thomas, Public Utilities Accountant, and William O. Richardson, Engineer Associate, II, to report the findings of the Staff.

FINDINGS OF FACT

Based upon the testimony and exhibits received into evidence at the hearing and the entire record of these proceedings, the Commission now makes the following findings of fact:

1. United Cities is a natural gas utility providing natural gas service in its service area within South Carolina, and its operations in South Carolina are subject to the jurisdiction of the Commission pursuant to S.C. Code Ann. §58-5-10, et seq. (1976), as amended.

2. United Cities' presently approved PGA Rider mechanism was last amended by Commission Order No. 94-1126, dated October 28, 1994, in Docket No. 94-009-G. United Cities is operating its PGA Rider in compliance with Commission Order No. 94-1126.

3. United Cities' net Balancing Adjustment resulted in an under-recovery of \$216,139 in gas costs for the twelve months ended June 30, 1999.

4. The appropriate Balancing Adjustments for United Cities is \$0.0174 per therm applicable to Firm customers and \$0.0105 per therm applicable to Optional or Interruptible customers.

5. United Cities' gas purchasing policies for the year under review were prudent and reasonable.

EVIDENCE AND CONCLUSIONS

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 1.

The evidence supporting this finding concerning United Cities' business and legal status is contained in prior Commission Orders in the docket files of the Commission of which the Commission takes judicial notice. This finding of fact is essentially informational, procedural, and jurisdictional in nature, and the matters which it involves are uncontested.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACTS NOS. 2, 3, AND 4.

The evidence supporting these findings is contained in the testimony of Company witness Rye and Staff Witnesses Thomas and Richardson. In Order No. 94-1126 dated October 28, 1994, the Commission approved the PGA Rider presently used by United

Cities. (Testimony of Richardson, p. 2, ll. 10-13; Testimony of Rye, p. 3, ll. 5-6.) Staff Witness Richardson testified that his examination of the Company's PGA filings indicated that United Cities is operating the PGA Rider in compliance with Order No. 94-1126. (Testimony of Richardson, p.2, ll. 13-16).

According to the testimony of Staff Witness Thomas, the Accounting Department reviewed the calculations included in the annual PGA true-up and traced amounts included in the calculations to the books and records of the Company. A net Balancing Adjustment of \$216,139 was computed for the twelve months ended June 30, 1999, and the net balancing adjustments of 0.0174 per therm applicable to Firm customers and \$0.0105 per therm applicable to Optional or Interruptible customers reflects an under-recovery for the twelve months ended June 30, 1999. (Testimony of Thomas, p. 2, ll.10-16.) The activity included in the true-up computation for the period July 1998 through June 30, 1999, included the following:

1. Invoice Gas Costs representing the monthly demand and commodity charges associated with gas purchases - For the twelve months under review, Demand Costs were \$823,978 and Commodity Costs were \$3,678,570. From these amounts Storage Injections of (\$443,538) were deducted, Storage Withdrawals of \$494,087 were added, margin losses of \$226,550 were included in accordance with the Company's approved PGA, and net Cash-outs from Transportation customers of (\$61,041) were deducted for Total Invoiced Commodity Costs of \$3,894,628. (Testimony of Thomas, p. 3, ll. 1-15.)

2. Firm Demand Costs Recovered, Optional Demand Costs Recovered and Commodity Costs Recovered – For the twelve months ended June 30, 1999, Firm Demand Cost Recoveries were \$614,944, Optional Demand Cost Recoveries were \$129,500, and Commodity Cost Recoveries were \$3,603,496. These recoveries resulted in an under-recovery of Firm Demand of \$64,838, or \$0.0086 per therm; an under-recovery of Optional Demand of \$14,696, or \$0.0017 per therm; and an over-recovery of Commodity Costs of \$291,132, or \$0.0088 per therm. The total under-recovery for the review period is \$370,666. (Testimony of Thomas, p.3, 1.23 – p.4, 1.8).
3. Supplier Refunds -- During the period under review, United Cities received Supplier Refunds of \$138,752. Computed interest on Supplier Refunds at 8.75% was \$11,985, for total Supplier Refunds with Interest of \$150,737. United Cities requested, and the Staff concurred, that this amount should be returned to the ratepayers by decreasing the under-collection for the period under review. (Testimony of Thomas, p. 4, ll. 9-16.).
4. Residual Balancing Adjustment – In accordance with the currently-approved PGA for United Cities, a residual amount of (\$3,790) is included in the true-up computation. This residual amount represents the amount remaining to be refunded from the net balancing adjustment for the twelve months ending June 30, 1997. The amount reduces the net under-collection for the period under review. The net balancing adjustment at June 30, 1998, is currently being billed and will continue through October 31, 1999. Any residual

balance remaining will be included in the next annual review period.

(Testimony of Thomas, p.4, l. 17 – p. 5, l.3.).

Staff Witness Thomas testified that the balance at June 30, 1999, of \$216,139 accurately stated and fairly represented the under-collection by United Cities for the twelve months ended June 30, 1999, and that the proposed increments, including commodity, of \$0.0174 for Firm Customers and \$0.0105 for Optional Customers should recover the under-collection from ratepayers during the 12-month period beginning November 1, 1999. (Testimony of Thomas, p. 5, ll. 4-13.).

Therefore, based on the evidence presented, the Commission concludes that the appropriate Balancing Adjustment for United Cities is \$0.0174 for Firm Customers and \$0.0105 for Optional or Interruptible Customers and that these Balancing Adjustments will recover the under-collection during the next twelve months.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 5.

The evidence supporting the Commission's finding that United Cities' Gas Purchasing Policies were prudent is found in the testimony of Staff Witness Richardson. According to Mr. Richardson, Staff is of the opinion that changes still occurring in the natural gas industry require that United Cities continue to have the flexibility that is currently inherent in its approved PGA rider. (Testimony of Richardson, p. 6, ll. 9-15.). Mr. Richardson also stated that he concluded that United Cities has continued its attempts to obtain the best terms available in negotiations with suppliers and in proceedings with the Federal Energy Regulatory Commission ("FERC"). (Testimony of Richardson, p. 7,

4-11.). Mr. Richardson also opined that United Cities is operating the PGA Rider in compliance with Commission Orders. (Testimony of Richardson, 11.13-16.).

Mr. Richardson further testified that United Cities has demonstrated prudent actions in maintaining adequate supplies at just and reasonable costs. Mr. Richardson pointed to several areas in support of his conclusion. First, Mr. Richardson stated that United Cities has not experienced loss of sales to industrial customers with alternate fuel capabilities. Secondly, Mr. Richardson stated that United Cities' forecasted firm Peak day requirements are 8,808 Dth and that United Cities' has firm demand entitlements under contract with suppliers of 9,005 Dth. Mr. Richardson stated that the Utilities Department believes that United Cities has made prudent decisions in meeting its supply requirements for its firm customers' demand entitlement and in competing in the competitive alternate fuel market. (Testimony of Richardson, p. 8, l. 8 – p. 10, l. 13.).

Based on the evidence presented at the hearing, the Commission concludes that United Cities' gas purchasing practices and policies are hereby found to be prudent.

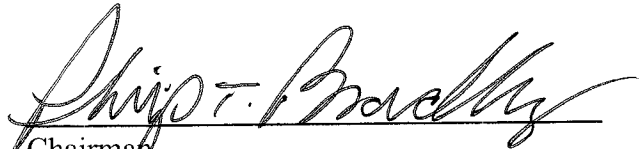
Therefore, based on the Commission's Findings of Fact and Conclusion set forth above, IT IS THEREFORE ORDERED THAT:

1. A Balancing Adjustment of \$0.0174 per therm applicable to Firm customers and \$0.0105 per therm applicable to Optional or Interruptible customers is approved for United Cities for the next review period and shall be effective with the first billing cycle in November 1999.
2. The Company's Gas Purchasing Policies and Practices are hereby found to be prudent.

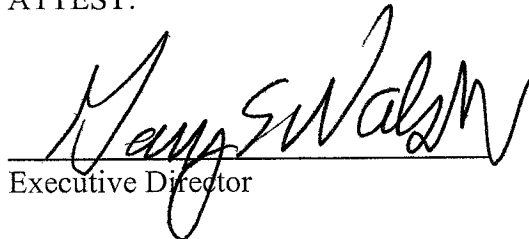
3. No changes are needed in the Gas Cost Recovery Procedures of United Cities, and the present procedure shall continue.

4. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)